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FISCAL IMPACT STATEMENT

LS 6938

BILL NUMBER: SB 585

NOTE PREPARED: Jan 2, 2011

BILL AMENDED:

SUBJECT: Certified Technology Parks.

FIRST AUTHOR: Sen. Lanane

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill permits a certified technology park to capture state income and sales taxes and local income taxes for a business that incubated in the park and then relocates outside the park but within the same county. The bill phases out the amount of the captured revenue over five years. It permits a certified technology park to apply to the Indiana Economic Development Corporation to redraw the boundaries of its district at the time of a recertification. It also requires the Indiana Economic Development Corporation to redraw the district if the corporation finds that certain conditions are present.

Effective Date: July 1, 2011.

Explanation of State Expenditures:

Explanation of State Revenues: *Capture of Non-Incremental Revenue by CTPs:* The bill could potentially allow the certified technology park (CTP) in Anderson (called the Flagship Enterprise Center) to capture non-incremental revenue from state sales tax and state income tax for four years. If the special revenue capture is allowed beginning in FY 2012, the revenue loss from state Sales Tax and State Income Tax captured by the Anderson CTP could total \$324,000 in FY 2012, \$243,000 in FY 2013, \$162,000 in FY 2014, and \$81,000 in FY 2015. This assumes that the all of the incremental revenue captured by the Anderson CTP in FY 2007 was attributable to Delco-Remy which left the CTP in February 2008. The potential impact from application of this provision to any of the other 18 CTPs in the state is unknown and depends on how many meet the special conditions specified in the bill.

CTP Expansions: The bill could lead to an expansion of the CTP in Anderson when it is re-certified by the IEDC. This would allow the CTP to capture additional incremental Sales Tax and state Income Tax revenue

from businesses in the territory added to the CTP. The potential impact from application of this provision to any of the other 18 CTPs in the state is unknown and depends on how many meet the special conditions specified in the bill.

Background Information: Currently, there are 19 CTPs statewide which were designated by the Indiana Economic Development Corporation between 2003 and 2006. The CTPs must be reviewed and recertified by the IEDC every four years. The CTPs are authorized to capture incremental sales tax, state income tax, and local option income tax revenue that is generated within the CTP. While there is no annual revenue capture limit for the CTPs, there is a lifetime capture limit of \$5 M for each CTP.

Capture of Non-Incremental Revenue by CTPs - The bill allows a CTP to capture non-incremental revenue from sales tax, state income tax, and local income taxes that are generated in the CTP if the IEDC finds that:

- (1) a business was located in the CTP when it was initially designated by the IEDC;
- (2) the business grew within the CTP;
- (3) the business subsequently relocated within the same county but outside of the CTP; and
- (4) the business's relocation reduced incremental sales tax, state income tax, and local option income tax revenue generated in the CTP to zero.

The bill allows the capture of non-incremental revenue to occur for four years, with the 1st year capture amount equal to 80% of the incremental sales and income tax revenue that was attributable to the business that relocated from the CTP in the last state fiscal year before its relocation. For purposes of the revenue capture amount after the first year, the multiplier would decline to 60% in the 2nd year, 40% in the 3rd year, and 20% in the 4th year.

This provision applies at least to the Anderson CTP (called the Flagship Enterprise Center). The extent that this provision would apply to another of the 18 CTPs in the state is unknown. Delco-Remy was located in the Anderson CTP (Flagship Enterprise Center) when it was designated by the IEDC in 2004. The Anderson CTP captured incremental tax revenue from FY 2004 to FY 2007. However, Delco-Remy relocated from the Anderson CTP to the former Guide Corp. headquarters in Pendleton in February 2008. Consequently, the Anderson CTP has not had incremental sales tax, state income tax, or local option income tax revenue to capture since FY 2008. The revenue capture amounts by year of capture for the Anderson CTP are reported in the table below. (Note: The revenue capture amounts reported in the table were distributed to the Anderson CTP in the fiscal year following the year of capture.)

	Incremental Revenue Captured by the Anderson CTP			
Fiscal Year of Capture	Sales Tax	State Income Tax	Local Option Income Tax	Total
2004	\$23,074	\$16,443	\$13,109	\$52,626
2005	390,536	161,197	47,411	599,144
2006	20,115	238,563	70,165	328,843
2007	130,482	274,785	101,024	506,291
Total	\$564,207	\$690,988	\$231,709	\$1,486,904

CTP Expansions - The bill allows a CTP to expand when it is re-certified by the IEDC, if the IEDC finds that the CTP meets the conditions outlined in (1) to (4) above, and finds that the expansion will enhance the development of the CTP. Current statute does not provide for the expansion of CTPs beyond the boundaries initially designated by the IEDC, except for a CTP designated before 2005 with the expansion to include adjacent territory in another county that is under the jurisdiction of the local unit and redevelopment commission operating the CTP. As with the revenue capture provision described above, this provision at least applies to the Anderson CTP. The extent that this the provision would apply to another of the 18 CTPs in the state is unknown.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Capture of Non-Incremental Revenue by CTPs:* The bill could potentially allow the certified technology park (CTP) in Anderson (called the Flagship Enterprise Center) to capture non-incremental revenue from local option income tax for four years. If the special revenue capture is allowed beginning in SFY 2012, the revenue loss to Madison County local units from local option income tax captured by the Anderson CTP could total \$80,800 in SFY 2012, \$60,600 in SFY 2013, \$40,400 in SFY 2014, and \$20,200 in SFY 2015. This assumes that the all of the incremental revenue captured by the Anderson CTP in SFY 2007 was attributable to Delco-Remy which left the CTP in February 2008. The potential impact from application of this provision to any of the other 18 CTPs in the state is unknown and depends on how many meet the special conditions specified in the bill.

State Agencies Affected: IEDC.

Local Agencies Affected: Anderson CTP (Flagship Enterprise Center); Madison County local units receiving local option income tax; Certified Technology Parks.

Information Sources: Department of State Revenue, CTP revenue capture data; Auditor of State, Revenue Trial Balance, FY 2004-FY 2010; LSA Fiscal Issue Brief, *Indiana's Geographically Targeted Development Programs: Certified Technology Parks*, September 27, 2010.

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